

Basic Concepts of Internal Control

Internal Controls – The COSO Concept and Its Application

The U.S. Treadway Commission via its Committee of Sponsoring Organizations (COSO) issued a report covering the tools available when using an Integrated Framework for Internal Controls in 1992 and a good discussion or application of the Internal Control Framework in 1994.

Since this concept on Internal Controls was introduced via these COSO publications, the federal government, Washington state, and private industry has adopted this Internal Control Framework in its policies and procedures.

Washington issued its version of this Internal Control Framework concept in 1999 as Chapter 20 of the State Administrative and Accounting Manual (<http://www.ofm.wa.gov/policy/20.htm>).

For the Federal government, both the U.S. General Accountability Office (GAO) and the U.S. Office of Management and Budget (OMB) issue very good backgrounds and questionnaires in the application of this Internal Control Framework. These examples and guidelines can be obtained at the following websites:

1. <http://www.gao.gov/aac.html> (Internal Control Management and Evaluation Tool, August 2001, GAO-01-1008G – written for Federal Agencies, but applicable to any government agency);
2. http://www.whitehouse.gov/omb/circulars/a133_compliance/04/pt6.pdf (OMB Circular A-133 Compliance Supplement, Part 6 - Internal Control –written for state and local governments receiving federal awards). This document is updated as of March of each year to keep it current with Federal awards to state and local governments.